



**Executive Office**  
P.O. Box 942701  
Sacramento, CA 94229-2701  
Telecommunications Device for the Deaf – (916) 795-3240  
(916) 795-0902; FAX (916) 795-2545

March 13, 2007

## **AGENDA ITEM 5**

**TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Partnership for Change Update
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The CalPERS Board of Administration approved the Partnership for Change in 2005 to promote value in hospital care and help moderate costs. The goal is to establish a transparent and well-functioning marketplace where hospitals will compete for business on the basis of the quality and cost of the services they deliver.

This is an update on two components of the Partnership for Change.

### **California Hospital Assessment and Reporting Taskforce**

Researchers at the University of California, San Francisco, with the support of the California HealthCare Foundation, are leading the California Hospital Assessment and Reporting Taskforce (CHART) initiative to collect and publicly report California hospital clinical quality and patient experience measures.

The objectives of CHART are:

1. To stimulate improvement in the quality of hospital care, and
2. To provide consumers and purchasers the information they need to identify the highest quality hospitals.

The CHART Steering Committee includes stakeholder representatives from hospitals, health plans, employers, health care purchasers (including CalPERS), consumer groups, and labor organizations. For the first data release, more than

200 hospitals representing over 70 percent of the daily-occupied hospital beds in California agreed to participate and pay the costs of their data collection. For the next data release, hospitals representing approximately 78 percent of the daily-occupied hospital beds in California have agreed to participate, including University of California, Davis.

Assistant Executive Officer, Gregory Franklin, reported at the February 2007 Health Benefits Committee meeting that the official public “launch” of the CHART Web site, at [www.CalHospitalCompare.org](http://www.CalHospitalCompare.org), is March 6, 2007. This site rates quality of care, patient satisfaction, and safety measures for California hospitals. People can search for the rating information by location (county, city, or zip code), hospital name, or condition. The home page also includes links to information that explain the ratings and why ratings matter. Other links provide information on how to choose a hospital.

Just prior to finalization of the Web site, some hospitals expressed concern about the previously agreed upon rating descriptions. Hospital representatives on the CHART Steering Committee proposed changing the rating descriptions from “superior” and “poor” to “well above average” and “well below average”, respectively. At an emergency meeting of the CHART Steering Committee on February 13, 2007, the members did not reach consensus on the proposal to change the rating descriptions, so they remain unchanged on the Web site.

### **Hospital Value Initiative**

The Hospital Value Initiative (HVI) began as a collaborative effort of CalPERS, Pacific Business Group on Health (PBGH), the California Healthcare Coalition (CHCC), and the major health plans in California. The HVI has the following objectives:

1. Combine the paid claims data from five of the largest health plans in California (Aetna, Blue Cross, Blue Shield, Health Net, PacifiCare) to develop for each hospital in California the true risk- and severity-adjusted cost of care and resource use for patients in particular diagnosis-related groups. The HVI will compare results of similar hospitals statewide and regionally to identify those facilities in each group that exceed the statewide, regional, and peer group averages for their group.
2. Engage the hospital community in constructive discussions to determine the reasons for the higher costs and develop a long-range strategy to work with the hospitals to bring about long-term reductions in the cost of hospital care.

As reported to the Health Benefits Committee at the November 2006 meeting, the hospital community expressed concerns about the HVI measurement protocols. More recently some hospitals indicated they perceived the HVI process as not collaborative, and that health plans would breach their contracts with hospitals by providing hospital claims data to the HVI data aggregator.

Over the last several months, the HVI has focused on working with the hospital organizations to overcome their concerns. The HVI now is back on track with a fully collaborative process.

On January 24, 2007, Loren Suter, CalPERS Senior Strategic Officer, chaired an HVI Steering Committee meeting for the purpose of reaching agreement among stakeholders (CalPERS, PBGH, CHCC, representative health plans, and hospitals) on a process and time line for moving forward with the HVI. The participants agreed they were willing to go forward with the HVI. The participants also agreed to form three work groups with consistent participation by designated individuals to address:

- Policy issues (reporting and data use issues, governance, merging CHART/HVI data),
- Technical issues (data collection method), and
- Legal issues (antitrust and wording, scope and buy-off process for agreements whereby hospitals would clearly give health plans permission to release claims data to the HVI data aggregator).

Each work group is developing a work plan for accomplishing its assigned tasks. At the next meeting of the HVI Steering Committee in late March, participants will review each work group's work plan and will refine the HVI process and time line for the project.

#### **V. STRATEGIC PLAN:**

This item supports Health Goal XII: Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost.

#### **VII. RESULTS/COSTS:**

Staff is implementing the Board's Partnership for Change to reduce healthcare costs, ensure a high value hospital network for our members, and improve the overall quality and efficiency of care provided by network hospitals.

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Loren Suter, Senior Strategic Advisor  
CalPERS Executive Office

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Gregory Franklin  
Assistant Executive Officer  
Health Benefits Branch